ELEMENTIA 4Q15

February 24, 2016

11:00 AM CT

Operator: The following is a recording for Melanie Carpenter from I-Advize on Wednesday, February 24, 2016 at 11:00AM Central, Elementia Conference Call. Good morning. My name is Josh, and I will be your conference operator. At this time, I would like to welcome everyone to the Elementia fourth quarter, 2015 earnings conference call. All lines have been placed on mute to prevent any background noise. The question and answer session of the call which will be conducted via telephone will initiate after the speakers finalize their presentation. Thank you. I would now like to turn the call over the Maria Barona of I-Advize. Please go ahead.

Maria Barona: Thank you. Good day everyone, and welcome to the fourth quarter 2015 and full year results conference call for Elementia. Joining us today from the Company's management team are Mr. Fernando Ruiz Jacques, Chief Executive Officer, Mr. Rafael Lira, Chief Financial Officer, and Mr. Juan Francisco Sanchez Kramer, Investor Relations Office. The gentlemen will be discussing the Company's performance through the period prior to the Q&A session with the audience later on in the call.

I just want to briefly mention that managements comments made today will be based on the earnings release that was issued yesterday. If you did not receive a copy of the earnings release, please take a look at Elementia's website where it has been posted. Please note that comments made today may include forward looking statements that are based on information that is currently available. Please refer to the disclaimer in the earnings release for a more detailed and full disclaimer. At this point, Mr. Juan Francisco Sanchez Kramer, Investor Relations Officer of Elementia will begin the conference Juan Francisco, please go ahead sir.

Juan Francisco Kramer: Thank you Maria, and good day to everyone. We are pleased to be here and discuss the Company's performance. Before we begin, and for those of you not familiar with our Company, Elementia is a unique building materials platform with a comprehensive product portfolio, leading brands, and extensive distribution network through which was have successfully integrated our three divisions. These divisions are Cement, Building Systems, and Metal Products. As such, our goal is to be a one-stop vendor. For Elementia, 2015 has certainly been a year of many achievements not only in the financial front, but also implementation of overall strategies which we call the power of one. With this in mind, we will strengthened our position as one Company by bringing together all the acquisitions, all geographies, and all three divisions into one culture and one common goal supported by centralized back office services with strong financial discipline and focus on profitability. We have made significant progress in terms of aligning commercial activities into one platform, and thus, increase cross selling through the Company's divisions. This led us to reach 35 percent of total Mexican revenues from cross selling. The figures that we will discuss today reflect the alignment of all efforts into one strategy focusing on building materials, the self-construction market segment across Latin American countries where we are present, innovation into value added growth, and efficiency in production processes. Today, Elementia is strategically positioned in attractive markets with high growth potential, and/or countries with strong and resilient macroeconomic fundamentals which span nine countries throughout America, including the U.S. and Mexico, Colombia, and Peru. We also continue our one commitment to shareholders by generating value, to the environment by being responsible and minimizing our environmental footprint, and to the communities where we are present by helping improve quality of life. Is most important highlights that all figures today are in Mexican pesos unless otherwise stated and all comparisons are done versus the same period of last year. Thank you for your attention. At this point, I would like to ask Mr. Fernando Ruiz, our CEO to discuss Elementia's performance for the quarter and full year 2015.

Fernando Ruiz: Thank you, Juan Francisco, and to everyone, a very warm thank you for your time and interest in our Company. Going straight into the Company's performance, we have quite a few topics to cover, but I want to particularly stress a few main points that we consider key for this period under discussion. First, I would like to state that we are quite happy with the results for the fourth quarter and full year. While there was significant volatility and strong competition in the market that we operate in, we were still able to achieve double digit growth in both consolidated and division figures. Second, the performance at each of those divisions was in line with our growth objective of incremental profitability. Let me expand on this quarter. Considering figures for the full year 2015 and starting with the Metal Products Division where the Company exceeded expectations with 14 percent EBITDA growth. This was attributed to cross selling initiatives as well as the focus on value added products and inventory hedging. We were also able to improve EBITDA margins in the cement division and reached EBTIDA growth of 65 percent through better capacity utilization and improved mix of products and energy authorization initiatives along with lower energy costs. In the Building Systems Division with 13 percent revenue growth, we continue increasing volume sold in the U.S. at a faster rate than the actual market growth. Third, we strengthened the balance sheet in accordance with the financial discipline we employed. Evidence of this was the 1.76 net debt to EBITDA ratio that we reached by year end. We also generated strong cash flow before CAPEX at 86 percent of EBITDA which enabled us to continue the Tula facility expansion project, pay down the CEBUR, and prepay a $650 million loan due in 2018. Fourth, we executed the second and final payment to payment to Lafarge for the 47 percent stake of Cementos Fortaleza. And fifth, and last but not least, we continue with our expansion strategy mainly in the cement division which we expect to be fully operational by mid-2017. All this was the keep in the middle of challenging macroeconomic conditions. We witnessed certain volatility and which is worth mentioning China's weakening economic deceleration, exchange rate volatility of several emerging markets, the fight to quality trend in the capital markets, as well as the certain decline in commodity prices. The Company's stock strengthened to a high of 22.96 pesos per share on December 31, 2015, a new historical high for the Company. Also, in December, Elementia was included in the Morgan Stanley Mid Cap Index which was, perhaps, behind the rally that we saw in December and have somewhat stabilized during the first quarter to an average price of 21.41 pesos per share which means profits of close to 26 percent from IPO. Going back to the Company's fundamentals, allow me to walk through the performance and expectations of each division as per the fourth quarter results. Beginning with the Cement Division, which contributed the most in terms of consolidated growth. We have witnessed the strong demand, especially in Central Mexico, and we saw the fruits of cost optimization and improve product mix and higher capacity utilization rates. As a result, EBITDA increased 54 percent during the quarter and 65 percent annually. The Tula project in Hidalgo that I just mentioned remains on schedule. We expect that operations will be able to start up by mid-2017 according to the original plan. So far, there has been no delays or incidents that would hamper the successful progress of this capacity expansion. As we mentioned in the past, following the completion of the project in 2017, we will have a total capacity of 3.5 million tons per year. We believe that cement market conditions in Mexico are solid enough to enable us to continue with the current price trend, given that cement remains strong in the country and particularly in the central region that is our area of influence. Expected 2016 growth in volume terms will be much more moderate. Nevertheless, it is important to highlight that cement demand continues to rise as remittances from the U.S, make their way into improvements and renovations in the self- construction sector and with the continued strong construction activity in shopping malls and office buildings. Moving now to the Metal Product Divisions, 2015 has been a key year for this division in terms of growth, specifically the metals division benefitted from a better product portfolio mix. For example, we are seeking to be most focused on marketing products under the equity brand Nacobre which includes home improvement products such as kitchen and bathroom faucets, connections, bathroom and accessories such as shower heads and other home improvements. This generated, of course, a much higher margin for Elementia. Also, benefiting the metals division, we're cost cutting initiatives including overall metal yields, and a positive exchange rate we've had to a higher dollar value given that this division is managed in U.S. dollars which contributed to obtain a 14 percent EBITDA growth on a yearly basis despite the 3 percent decrease in the quarter. In the Building Systems Division during 2015, we began several investments that we expect will deliver additional profitability and shall be key in driving margin expansion throughout 2016. Already, there are activities in place that are very productive. Parts of the atomization of the Costa Rican and Salvador operations as well as the expansion of the Peruvian facilitates. The division continues strengthening its U.S. market share which is one of our main goals for sustained future growth. Furthermore, and worth mentioning is the Building Systems Division was effected by the exchange rate differences which had a negative impact on Colombia and other markets in Latin American countries during the current devaluation versus the Mexican peso which Rafael will discuss further. As such, EBITDA decreased 26 percent in the quarter and 4 percent annually. However, on a positive note and as I just stated, the higher cost for investments made as well as the learning curve of the Costa Rican and El Salvador atomization were offset this quarter by synergies achieved throughout the division. Part of this was a result of our own internal adjustments to rectify any challenges within the division, but we went a step further to strength the divisions performance. In January 2016, we hired BTG, the office consulting group to perform an analysis and support us in maximizing the enormous potential of the operations of this division. We have been very satisfied with all the adjustments we have made as a result of this analysis.

I want to mention that there are several microeconomic variables also working in our framework and that we expect can benefit the Company in the long run. In the U.S., for example, construction pending is expected to continue its strength which gives us reason to remain optimistic in this market as we move forward. In Mexico, we are seeing a much lower dependency on oil than ever before. According to the latest GEA statistics, over 60 percent of total revenue from abroad is derived from non-petroleum. Domestic and foreign investments in the country continue to be strong, highlighted by the construction sector. Elementia wants to be a defender of that investing in the country and committed to development. Therefore, we are encouraged by the environment, and we will continue to focus on investing in our businesses in Mexico and specifically in cement. Before I conclude my part of the presentation and the turn the call over to Rafael, I want to mention that Elementia is committed to delivering the results as per the best of our ability, aiming to develop more agile and efficient practices across all of our operations. For this objective, we have a clearly defined strategy and seek to maximize all opportunities to continue profitable and responsible growth. At the same time, we are paying close attention to our capital allocations based on return over invested capital, and the strong balance sheet supported by our financial discipline. In 2016, specifically, we aim to focus on continuing the operating efficiency objectives as well as seek metal yield improvement initiatives that will continue fostering margins expansion. Therefore, we are focused on not only on growth per se, but we are seeking profitability on return and investment capital. Thank you very much for your attention, and I will turn the call over to Rafael Lira. Rafael, please go ahead.

Rafael Lira: Thank you, Fernando, and thank you all for being here with us today. Moving on to the balance sheet, cash and cash equivalents reached 3.1 billion as a result of the IPO and the pay-down of CEBUR. The CEBUR payment utilized approximately 2.3 billion of net cash including changing costs and in addition to the exchange rate impact on the senior unsecured notes. Gross debt decreased 19 percent. Net debt to EBITDA ratio was 1.765, and interest coverage was 4.0 times during the covenants paid by the financial institutions. In 2016, we expect to increase net debt marginally, but we will take in a ten year, $150 million through the banks expert credit agency via COFACE taking advantage of the expansion of cement capacity and the very competitive interest rates which only is less than 1.5 percent. Continuing this debt position, and the expected the CAPEX for the year, the net debt to EBITDA ratio will be a little above 2.0 times. Pre cash flow before CAPEX reached 2.6 billion pesos. Elementia is not in dollars. It has a strong dollar iteration from which 60 percent of cash flow is on a dollar basis, and the cash position is 50 percent in dollars. The Company has natural partial hedging, however we continue to evaluate changing scenarios for dollar denominated debt. The Company focused on maximizing cash flow via working capital optimization, focusing on SKU of the products that we have the highest growth and revenue generation. Additionally, we have started to optimize the Company's portfolio strength and improve the value change process. With regards to CAPEX and considering the volatility of the global economy, we strengthen our financial discipline, and thus, we will invest only in what we consider to be top priority. We will be focusing also on items that will generate higher returns without overlooking maintenance. We believe that this will minimize the possibility of the Company having hampered cash flow as a result of economic change. As such the CAPEX program is reviewed consistently on a quarterly basis in order to be able to quickly adjust according to market changes the Company's cash position as well as operating performance. Moreover, we rolled out a committed revolving credit line by increasing it to $500 million from $300 million extending its maturity base two additional years to 2020 and reducing interest rates to 125 basis points from 250 basis points. This will allow greater flexibility for funding new operations under more favorable terms. Consolidated shareholder's equity reached 50.9 billion driven by the IPO and current exchange impact from foreign operations. As Fernando mentioned, we plan on continuing the trend of providing healthy financial results. We see many opportunities in 2016, including the potential divestment of idle assets, expense controls, increased cash flow generation, capital allocation focus, including the improvement of return on capital, and a clear CAPEX plan to achieve the growth strategy for our operations. In addition, we will have a more focused approach in investments in order to allocate resources in the best possible markets. Now moving on the profit and loss statement, consolidated revenues increased 5 percent quarterly or 11 percent annually, driven by the Cement Division. In terms of geographic footprint, most of the revenues are in the more solid economies with 76 percent of the consolidated revenues from Mexico and the U.S., 17 percent in South America, 6 percent in Central America, and the remaining 1 percent in other countries. Accumulated EBTDA rose 12 percent reaching 3 billion in 2015 with an EBITDA margin of 18 percent in terms of divisions 31 percent in cement division, metals products 33 percent, and Building Systems 36 percent. In addition, net income was 12 million, a decline of 517 million due to the exchange rate impact on the debt position in U.S. Dollars. Now moving along to the operating results by division. The Cement Division performed in line with management's expectations. Revenues totaled 650 million in the fourth quarter 2015 and 2.4 billion in 2015 an increase of 35 percent quarterly and 36 percent annually benefitting from a 10 percent volume increase in the quarter and 20 percent in the year, along with 22 price increase in the quarter and 13 percent for the full year. Finally, EBITDA increased 54 percent quarterly and 65 percent annually also benefitted from operational and energy optimization, which offset extraordinary rise in raw materials inventory from the expected strong demand and pricing volatility. The management focus for the product divisions as we have mentioned is in the generation of EBITDA per ton. As revenue prices are impacted by the international reference pricing. While international reference price declined close to 20 percent in 2015. Net credits, however, increase 4 percent reaching 7.5 billion. This was mainly due to a better cross mix in line with the focus on higher value products, a 5 percent volume increase, and the impact of foreign exchange. EBTIDA increased 14 percent annually, additionally driven quite a bit by the various cost cutting initiatives in place. During the quarter, we executed an inventory evaluation that impacted EBITDA by close to 1.2 million as a result of an accelerated reference price decline. As such, a hedging strategy was implemented in December with 1,000 tons. The results were so positive that we increased the amount to 2,000 tons, thus covering two-thirds of our total consumption. This was in order to protect the Company against potential negative effects on inventory volume. The hedging strategy in based on a model of value futures on a daily basis, not long term, that considers monthly cost per consumption in order to have inventory valued at average daily purchase price. We can minimize an inventory revaluation impact in the case of past overprice decline. In the event that copper price rise, we can just stop the mechanism and continue normal operations which might translate into a positive effect on inventory reevaluation. It's important to mention that this strategy was born from the Nacobre operations client. These clients placed most of their orders during last week of each month. Since copper price moved up through entire month, the impact on the on the cost of freight and the inventory values affect the Company's P and A. However, by placing positions in the future markets on a daily rate as I just mentioned we were able to average our inventory costs and not have a sudden impact at the end of the month It is important to mention the inventory increases were the result of the overstock that our client Nacobre meant to implement in order to supply demand for the following year. Finally, the Building System Division reached revenue of 1.7 billion in fourth quarter 2015 and 6.9 billion in 2015. This represents an increase of 10 percent quarterly and 13 percent annually. While volume continues to grow in the U.S. and South American countries, however in Mexico we faced a 47 percent volume decrease due to special volumes resulting in the fourth quarter to a current project and in Central America due to the land incurred of the automatization of Costa Rica and the rest of the operation in Central America. This leads to an overall 7 percent decrease for the quarter volume and 4 percent volume increase for the full year. In the quarter, we had some nonrecurring issues that impacted the operating profits of the division among which are, we can no longer can expect that land incurred in Costa Rica Atomization, the impact of Colombia's peso devaluation to the Mexico Peso for consolidation purposes, the impact of provisions related to write-offs of the Indiana facilities from these continued operations according to IFRS rules. In 2015, EBITDA totaled 1.1 billion. The US operations EBITDA margin continues its trend of recovery from underperforming figures. This concludes our presentation. Thank you for your attention, and I'm going to turn the call back to the operator for Q & A.

Operator: Thank you. At this time, we will open the floor for your questions. If you would like to ask a question, please press the star key, followed by the one key on your touchtone phones now. Questions will be taken in the order in which they are received. If at any time, you would like to remove yourself from the questioning queue just press star, two. Again, to ask a question, please press star, one now. Our first question will come from Vanessa Quiroga from Credit Suisse.

Vanessa Quiroga: Hello. Thank you, good morning again. My question is regarding the cement business, and we wanted to know your expectations for cement demand in 2016 and whether you think the environment will be favorable for pricing during the year, thank you.

Fernando Ruiz: Thank you, Vanessa. This is Fernando. Thank you for the question. We are very optimistic for this division. We clearly see a strong market based on the internal consumption. As we said before in our presentation the great remittances that we have from the U.S. to Mexico along a strong prior investment in infrastructure in Mexico are strengthening the construction industry. We all know that government spending is being decreased, so infrastructure we do not see a great performance. But in the markets that we are targeted to achieve infrastructure market, we are very optimistic. We began the year with the right foot. We have been talking to our clients. We have been very close to them, and we believe that there's very interesting synergy of growth for this year. Regarding your second question, regarding the price, we also began very nice the year. We were able to decrease our prices, and we feel that this synergy will continue at least for the first of the semester.

Vanessa Quiroga: Okay. Would you be able to provide a range of growth that you're expecting in volumes for 2016?

Fernando Ruiz: I will leave this to Juan Francisco.

Juan Francisco Kramer: As you know, we have reached full capacity utilization in 2015, so the increment from volume that we will see in 2016 is not that much, and mainly driven by comparison, we reached full capacity between the last month of the second quarter. So during the first half of this year we will have better volumes than last year. In the second half will be a little lesser is the (indiscernible 00:30:45), operations before opening up the full expansion, that will be the drive for the volume expansion. Nevertheless, it was not really as high as it was this year of course.

Vanessa Quiroga: Do you expect to be able to open the grinding facility before the clinker plant.

Fernando Ruiz: Yes, that is correct. That's the plan, and we were expecting – we're working on that.

Vanessa Quiroga: Okay, and regarding pricing on the price increase that you mentioned when was that announced to your clients, and what was the amount? Thanks.

Juan Francisco Kramer: As you know we don't tell the price, but of course, we follow closely the price trends of the market, and we have always pushing price increases. We believe that the market is regaining value and we will move along that. The price increase that

Fernando mentioned is a small one, and it was achieved during the first month at the end of January along with the full year.

Vanessa Quiroga: Okay. Can I make a question just on that Building Systems segment? Can you tell us how much of the volumes in Mexico went to social programs related to rural housing and whether you expect that to be constant in 2016? Thank you.

Fernando Ruiz: Okay, so basically, I would say that one-third of the volume of last sales went to those kinds of programs. Our expectation to maintain that same volume for this year as I said before this kind of government spending, but as far as we have talked to the government agencies, the programs which offer these kinds of investments are in place. They will get the same focus, so we feel confident that we will obtain the same balance for this year.

Vanessa Quiroga: Okay, great. Thank you.

Operator: Thank you. Our next question comes from Lillian Starke from Morgan Stanley.

Lillian Starke: Hi. Good morning, and thank you for taking my question. I wanted on the cement business. Could you provide us a bit more color in terms of the U.S. market? How are you doing in terms of market share, and profitability, I know that volume decline in the quarter and margins as well declined in the quarter, and margins as well declined, but what was the improvement, or what was a clearer picture of what's been happening in the U.S.?

Operator: Hi Lilian. The line was not clear, so I'm not sure if we are getting your question right. Can you please repeat it?

Lilian Stark: Yes, so I wanted to ask on the fiber cement business if you could provide us a little bit more color in terms of what's happening in the U.S. Whether you're seeing market share gains and what was volume growth there? And as well, I know for the whole division margin contracted this quarter on quarter, but if you could provide us a little bit more detail into whether there was a feasibility improvement in the U.S. operation on a standalone basis.

Fernando Ruiz: Well, for strategical reasons we cannot say too much about the U.S. market. Nevertheless, I can tell you we have been growing at a faster rate than the market has been growing. As you know, the market growth is pretty much linked to housing growth and that give you a good idea of what we are talking about. We believe that the kind of deceleration that January figures show with just the balance, but we believe that the trend will continue for the rest of the year. As positive terms of course.

Lillian Starke: Okay, and in terms of a margin, do you see an improvement in the U.S. or a similar margin of what you saw last quarter. Do you have a sense of how much of the contrast on quarter on quarter is recurring versus no recurring let's say?

Fernando Ruiz: Okay, for the total year, the EBITDA margin remains a little bit higher than the basis points that it has been. It's going to be challenging to increase this market share not having achieved the full capacity of utilization rate. So, as long as we continue increasing the capacity of utilization, we will continue to increase the margins, if I understood your question correctly.

Lillian Starke: Yes, and that's fine. Perfect. Thank you.

Fernando Ruiz: Sure.

Operator: Thank you. Our next question comes from Cecilia Jimenez from Santander.

Cecilia Jimenez: Hi. How are you?

Fernando Ruiz: Fine. Thank you Cecilia.

Cecilia Jimenez: Good. To follow up on the Building System Division, first you mentioned in the report the lower margin coming from the U.S., so just again, trying to understand what's the main reason behind that, and if it's going to be a one off or something sustainable going forward. What are we talking about? Is it I don't know a 12 percent EBITDA level, or is it below that? That's the first question. And then, the second one regarding the ramp up robotization in Central America how long would it last? Should we see drooping volumes from the region during the first half of this year, or is it almost all done. Is it almost already ramp up? Those are my questions. Thanks.

Rafael Lira: Hi Cecilia. Rafael Lira. Yes, we have special nonrecurring issues as I mentioned effected profit from the division for around 120 million among which the longer unexpected learning curve which incurred in additional expenses, the impact of the U.S. dollar that effects conversion and expenses, and the impact of the provisions related to write-offs of the Indiana facility from these continued operations according IFRS, because we have the operation in that line during more than one year. We cannot sustain for more than one year, so we have to classify to the expenses, and what was impacted in this quarter, and onetime expenses of rise of the operations, because we are very focused on the generation synergies and efficiencies sin the operations, and advertising expenses. This was the most important for the quarter.

Juan Francisco Kramer: So, your second question Cecilia, this is Juan Francisco. We have considered the learning curve cost for the automatization in Central America, so we are very confident the first quarter we will begin to see an improvement on the operations of the region. It took longer than what we expected, but we are very confident that it was the right position, the right choice, and the right time to do things.

Rafael Lira: And what I can tell you Cecilia is that in January we saw strong improvements in operational efficiencies both in Costa Rica as well as in El Salvador. As Juan Francisco was saying, it took us longer than we expected this learning curve, but we are on track, and we are ready to harvest what we planted in the last couple of months.

Cecilia Jimenez: Okay, thanks. If I may, one more question regarding the Cement Division. You're growing above the market, and I just would like to see if you could give some color. Where is it where you're growing the most? Is it, because you're growing with the market? Or are you specifically taking market share from other competitors. You don't have to say whom. But basically are you starting a new point, or are you taking already existing volumes from someone else basically? Thanks.

Juan Francisco Kramer: Thank you Cecilia. As you know, we expected operations for cement in mid-2015, and as we mentioned we completed a ramp up in the second quarter of

2015, so using that timeframe, yes, we keep gaining market share. From then on, we felt little room to grow faster than the market. In fact, leaving room to grow in volume, because we are so robust. So we know kind of decelerate our market limitations in this timeframe until we build the operation. From then on, we will continue with our market share, and of course, once we start the new facility and according to the market demand, we believe that we will increase slightly our market share to allocate this volume. But listen, the lower rate that in the beginning, because we still are catching up with the market rate.

Cecilia Jimenez: Okay, thanks.

Juan Francisco Kramer: Thank you Cecilia.

Operator: Thank you. Again, if anyone would like to ask a question, please press star, one now. Again, that is star, one to ask a question. Our next question will come from Pablo Ricalde from Credit Suisse.

Pablo Ricalde: Hi. Thanks for taking my questions. I have two question if I may. The first one is regarding your CAPEX guidance for this year, and the second one is regarding your pricing strategy in the U.S. after James Hardie announced that you are not raising prices in 2016.

Juan Francisco Kramer: CAPEX for this year you can consider that we will invest 150 million in the expansion and regular CAPEX of around 50 million. It is very important to consider that the Company is very careful on the allocation of capital, because we are very cautious in terms of the – we understand that the volatility of the market, and we have renewal of our capital expenditures on a quarterly basis. The amount that we have considered for our plan at this moment is just expansion in cement and the regular CAPEX that will be in the range of 50 million.

Rafael Lira: Okay, and regarding the second question, as I was telling you before, we are just finishing this analysis with BTG with the consulting group where we have identified many growth opportunities and many very interesting foot range, so for specific research, I would not like to disclose them, but what I can tell you is that we have identified many wide spaces, and we have identified many opportunities that I'm sure will translate into the future.

Pablo Ricalde: Okay, thanks.

Rafael Lira: Thank you Pablo.

Operator: Thank you. Our next question comes from Andrew DeLuca Credit Suisse.

Andrew DeLuca: Hi. Thank you for taking my question. I had a few questions specifically regarding new market opportunities and new businesses. Are you seeing any interesting opportunities either in Mexico or abroad whether it be in cement or in any other lines of business, or is that pretty much off the table at least through 2016 until you finish the cement business expansion?

Rafael Lira: Thank you, Andrew, for your question. As we had mentioned the overall strategy of the Company is focusing on building materials, so we really remain focused on that. Then, of course, the three divisions of Cement, Building Systems, and Metal Products.

We are aiming to grow faster in segments where we see a lot of opportunities. Also, as Fernando mentioned, we see a lot of opportunities in Building Systems, and we would like to give reference or have enough preference for concrete in which we already have operations.

Andrew DeLuca: Great. Thank you. And then just a question on working capital. Can you just give us a little bit of color in terms of working capital for 2016? That was a little bit of a drag in 2015.

Juan Francisco Kramer: In terms of working capital, we know that we have opportunities to review the level of inventory. The levels that we see at this moment is, because we have to increase the level of inventory in metals to attend the demand that we have during the first two months of the year. Additionally, we __ ramp up $5 million of raw materials imported to fix the cost in dollar terms. But we will reduce a little of inventory and accelerate the recovery of accounts receivable that we have been in the year end. So, we don't see the additional requirements on CAPEX additional in terms of resources in working capital.

Andrew DeLuca: Okay, great. Thank you for your time.

Operator: Thank you. Again, if anyone would like to ask a question, please press star, one now. We now have a question from John Brandt from HSBC.

John Brandt: Hi. Good morning guys. Just a question on prices. I understand what you're alluding to in the sense that cement demand continues to be strong in your segment, but I'm wondering if the cement demand that we're seeing within the infrastructure segment because of the government budget cuts will some of your competitors move cement capacity and cement volumes away from there are start competing more in your segments? I guess ultimately what I'm trying to understand is on cement prices if this is sort of the peak levels given the slowdown that we're seeing in the infrastructure segments as well as the additional capacity that is expected to come on over the next couple of years. I mean is demand strong enough within sort of the private sector to absorb a lot of the capacity that's coming on as well as the capacity that used to go to the infrastructure segment? Thanks.

Fernando Ruiz: Okay, John the current prices in Mexico if you are to compare them versus other countries are still I would say the lowest in Latin American, and they are lower than in the U.S. We are expecting that these trends will continue in the near future. As you saw there was a price increase last year, and as I told you, this year began also with a price increase, and from what we have seen in the market and the demand that we are looking into the market we see at least that this trend will continue at least the two first quarters of this year. I can't tell you further in the third or fourth quarter, but I believe for the first semester, we feel confident that there will be this synergy.

John Brandt: Okay, so it is fair to say that you'd expect a further price increase in the first half or just the first one of January will be fully implemented?

Fernando Ruiz: We believe that it is quite possible that we will see further price increases during the first half. Probably the difficult question is to what extent. Nevertheless, as Fernando mentioned, the market to recover value and the conditions is quite good. The demand is still very strong. From overall the market segment, in particular the focus that we have in self-construction is very strong, and also, any construction that we think, office buildings and shopping malls, etcetera, and given that the budget cut of the government did not affect the infrastructure, we are confident that the projects or most of the projects will go on. What I can tell you John is that as I said before, we see a strong demand, a consumption demand, and this is based on what we read between lines on here is based on this microeconomic conditions, we are seeing that people are more interested in investing in bricks than in other things. So, this tendency has been for the last semester, and that is what we're looking at for this first semester. We have been as I told you all of our distribution chains in demand in metals as well as building materials, and they all are the same.

John Brandt: Okay, great. Thank you.

Fernando Ruiz: Sure.

Operator: Thank you ladies and gentleman. This concludes the Q & A session. I'll now turn the call back over to Mr. Fernando Ruiz for closing remarks.

Fernando Ruiz: Thank you, Operator, and before concluding the conference, I would like to reiterate the fact that we believe that we are on the right track. We are confident that the decisions we have made can us a more profitable Company and the decisions we are taking every day to improve the overall businesses are the right ones and bring us ever closer to our objective each day. Our growth strategy is driving us to make these decisions. Fundamentally, I have clear strategies as well as a solid growth strategy. We are confident that we are heading towards the ultimate fulfillment of the strategy and the checks and balances that we have in place are tipping off align with the strategy. I speak on behalf of this entire management team when I say that we will continue to focus on profitability first and growth second. We realize that growing for the sake of being bigger is not an entirely sound business decision. We aim to maintain the conservative leverage policy and strong balance sheet that has made us successful in the first place. So, thank you. Operator, we are ready to the final conference call. Thank you very much.

Operator: Thank you ladies and gentleman. This concludes today's teleconference. You may now disconnect.